SECURITIES AND EXCHANGE COMMISSION

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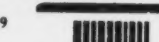
Washington, D.C. 20549



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FORM 10-Q

(Mark One)

[√] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended February 1, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

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Commission file number 0-17865

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Newbridge Networks Corporation
(Exact name of registrant as specified in its ch

Canada	98-0077506
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
600 March Road, Kanata, Ontario, Canada	K2K 2E6
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (613) 591-3600

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes √ No _

The number of Common Shares of the registrant outstanding as at March 9, 1992 was 34,939,193.

(Exhibit index located on page 22)

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NEWBRIDGE NETWORKS CORPORATION

TABLE OF CONTENTS

Page No.

PART I. Financial Information

Item 1. Financial Statements

Consolidated Statements of Earnings and Retained Earnings (Deficit) - Fiscal quarters and three fiscal quarters ended February 1, 1992 and February 2, 1991 ____ 3

Consolidated Balance Sheets - February 1, 1992 and April 30, 1991 ____ 4

Consolidated Statements of Cash Flows - Fiscal quarters and three fiscal quarters ended February 1, 1992 and February 2, 1991 ____ 5

Notes to the Consolidated Financial Statements ____ 6-9

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations ____ 10-16

PART II. Other Information

Item 1. Legal Proceedings ____ 17

Item 5. Other Information ____ 18

Item 6. Exhibits and Reports on Form 8-K ____ 18-20

SIGNATURES ____ 21

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

NEWBRIDGE NETWORKS CORPORATION

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS (DEFICIT)

(Canadian dollars, amounts in thousands except per share data)
(Unaudited)

	For the fiscal quarter ended		For the three fiscal quarters ended	
	February 1, 1992	February 2, 1991	February 1, 1992	February 2, 1991 (as restated)
Sales	$45,910	$34,709	$129,319	$112,268
Cost of sales	19,635	14,018	54,590	44,657
Gross margin	26,275	20,691	74,729	67,611
Expenses				
Selling and technical support	11,623	14,261	34,244	39,694
General and administrative	3,516	4,260	10,255	12,156
Research and development	5,331	5,081	16,239	13,313
Income from operations	5,805	(2,911)	13,991	2,448
Interest income	40	107	152	452
Interest expense	(1,491)	(2,114)	(5,187)	(6,249)
Equity in loss from affiliates (Note 4)	(362)	—	(1,245)	—
Restructuring costs	—	—	—	(3,510)
Settlement of litigation (Note 2)	—	—	—	(6,001)
Other expenses	(417)	(786)	(785)	(2,071)
Earnings before income taxes	3,575	(5,704)	6,926	(14,931)
Provision for (recovery of) income taxes	1,149	(18)	1,849	(698)
Net earnings	2,421	(5,686)	5,077	(14,233)
(Deficit) retained earnings, beginning of the period — as restated (Note 2)	(4,977)	1,733	(7,633)	10,280
(Deficit) retained earnings, end of the period	$ (2,556)	$ (3,953)	$ (2,556)	$ (3,953)
Earnings per share (Note 5)				
Net earnings				
Basic	7¢	(17¢)	15¢	(42¢)
Fully diluted	7¢	(17¢)	15¢	(42¢)
Weighted average number of shares				
Basic	34,473	33,792	34,347	33,720
Fully diluted	34,473	33,792	34,347	33,720

See accompanying Notes to the Consolidated Financial Statements.

NEWBRIDGE NETWORKS CORPORATION

CONSOLIDATED BALANCE SHEETS

(Canadian dollars in thousands)

ASSETS	February 1, 1992 (unaudited)	April 30, 1991 (as restated)
Current assets		
Cash	$ 8,785	$ 4,584
Accounts receivable, net of provision for returns and doubtful accounts of $4,189 (April 30, 1991 - $3,594)	44,372	39,088
Refundable tax credits and other government assistance	3,156	3,817
Inventories (Note 3)	29,988	36,995
Prepaid expenses	2,328	2,408
	88,629	86,892
Property, plant and equipment	63,382	67,800
Software development costs	10,508	9,681
Investments in and advances to affiliates (Note 4)	2,761	1,364
Other assets	2,744	1,857
	$167,524	$162,395
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 12,446	$ 13,310
Accrued liabilities	11,157	11,274
Income taxes	—	106
Current portion of long term obligations	6,423	6,055
	30,026	30,745
Long term obligations	28,898	31,446
Accrued costs of settlement of litigation (Note 2)	4,286	6,001
Deferred income taxes	1,140	540
	64,350	68,732
Minority interest	—	166
Share capital		
Common shares - 34,837,821 outstanding (April 30, 1991 - 34,145,301 outstanding)	105,867	102,583
Accumulated foreign currency translation adjustment	(137)	(1,853)
Deficit	(2,556)	(7,633)
	103,174	93,497
	$167,524	$162,395

See accompanying Notes to the Consolidated Financial Statements.

NEWBRIDGE NETWORKS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Canadian dollars in thousands)
(Unaudited)

	For the fiscal quarter ended		For the three fiscal quarters ended	
	February 1, 1992	February 2, 1991	February 1, 1992	February 2, 1991 (as restated)
Operating activities				
Net earnings	$ 2,421	$(5,686)	$ 5,077	$(14,233)
Items not affecting cash:				
Depreciation and amortization	3,469	3,567	10,303	10,087
Equity in loss from affiliates (Note 4)	368	—	1,245	—
Gain on issue of shares of subsidiary (Note 4)	—	—	(625)	—
Deferred income taxes	435	—	590	(796)
Cash effect of changes in:				
Accounts receivable	(356)	5,053	(3,959)	6,443
Refundable tax credits and other government assistance	92	517	738	358
Inventories	3,106	(175)	6,465	(3,852)
Prepaid expenses	652	(173)	155	(500)
Accounts payable and accrued liabilities	(3,049)	(1,583)	(1,275)	(5,172)
Income taxes	(107)	(73)	(107)	(1,766)
Accrued costs of settlement of litigation (Note 2)	—	—	(1,715)	6,001
	7,031	1,447	16,892	(3,230)
Investing activities				
Additions to property, plant and equipment	(1,690)	(2,053)	(6,962)	(12,142)
Capitalized software development costs	(1,384)	(1,413)	(4,051)	(4,427)
Investment in and advances to affiliates (Note 4)	123	(1,160)	(815)	(1,160)
Additions to other assets	(472)	(145)	(984)	(1,060)
	(3,423)	(4,771)	(12,812)	(18,789)
Financing activities				
Issue of common shares	2,098	148	2,885	574
Increase in long term obligations	913	824	2,108	5,553
Repayment of long term obligations	(1,658)	(1,368)	(4,660)	(4,568)
	1,353	(396)	333	1,559
Effect of foreign currency translation on cash flows	139	122	(212)	362
Increase (decrease) in cash	5,100	(3,598)	4,201	(20,098)
Cash (bank indebtedness), beginning of period	3,685	(1,223)	4,584	15,277
Cash (bank indebtedness), end of period	$ 8,785	$(4,821)	$ 8,785	$(4,821)
Comprised of:				
Cash	$ 8,795	$ 686	$ 8,785	$ 686
Bank indebtedness	—	(5,507)	—	(5,507)
	$ 8,785	$(4,821)	$ 8,785	$(4,821)

See accompanying Notes to the Consolidated Financial Statements.

1. Basis of Presentation

The accompanying unaudited interim consolidated financial statements of Newbridge Networks Corporation (the "Company") have been prepared in accordance with accounting principles generally accepted in Canada for interim financial information. These principles are also generally accepted in the United States in all material respects except as disclosed in Note 7.

In the opinion of Management, the unaudited interim consolidated financial statements reflect all normal and recurring adjustments considered necessary for fair presentation.

The results of operations for the third fiscal quarter and the three fiscal quarters ended February 1, 1992 are not necessarily indicative of the results to be expected for the fiscal year ending April 30, 1992.

2. Settlement of Litigation

In December 1991 the Company reached an agreement in principle to settle, as against all defendants, the consolidated class action lawsuit which was brought during the first quarter of the fiscal year ended April 30, 1991 in the United States District Court in Washington, D.C. The suit, which names the Company and certain of its executive officers as defendants, purports to be a class action on behalf of a class of persons who purchased Common Shares of the Company during certain periods in 1989 and 1990 and alleges that the Company made false and misleading statements in violation of United States securities law, for which damages were sought in unspecified amounts.

The settlement agreement, which is subject to the approval of the Court and other regulatory authorities, calls for the establishment of a settlement fund from which members of the plaintiff class are to be paid. The fund will consist of US$1,500,000 (Cdn$1,715,000) in cash and 600,000 freely tradeable Common Shares to be issued by the Company following final approval of the settlement by the Court. If the value of the Common Shares, determined by a formula based on trading on the NASDAQ National Market System, is less than US$6.25 per share at the time the settlement is finally approved, the number of Common Shares issued will be increased so that the total value of the shares issued is US$3,750,000 (Cdn$4,286,000). Final approval of the settlement is not expected to be obtained for several months, during which time the cash portion of the settlement will earn interest at the daily interest rate paid by the Company's principal bankers on United States dollar deposits. The accrued interest will be paid to the plaintiffs as part of the settlement.

Under accounting principles generally accepted in Canada, the costs associated with the settlement of litigation are recorded retroactively to the fiscal period in which the litigation arose. As a result, the costs of settlement of litigation were recorded in the first quarter of fiscal 1991 through a prior period adjustment, restating the consolidated financial statements. The impact of the restatement for the fiscal year ended April 30, 1991 increased the net loss by $6,001,000 to $17,913,000, decreased retained earnings by $6,001,000 and increased long term liabilities by $6,001,000, comprised of an obligation to pay $1,715,000 in cash and to issue 600,000 Common Shares of the Company. Based on the anticipated timing of the approval of the settlement, the cash portion of $1,715,000 has been classified as a current liability for the third quarter of fiscal 1992.

3. Inventories

	February 1, 1992	April 30, 1991
Finished goods	$15,247	$17,321
Work-in-process	7,539	11,066
Raw materials	7,202	8,608
	$29,988	$36,995

4. Investments in and Advances to Affiliates

The Company accounts for its investments in Elcombe Systems Limited ("Elcombe") and NewLife Computer Corporation by the equity method. During the fiscal quarter ended August 3, 1991, Elcombe issued additional shares to outside interests. Although the Company holds a majority interest, the accounts of Elcombe have not been consolidated as a formal plan exists to reduce the Company's ownership to less than 50%.

5. Earnings per Share

Earnings per share has been calculated on the basis of net earnings for the period divided by the daily weighted average number of Common Shares outstanding during the period.

Under accounting principles generally accepted in the United States, earnings per share is calculated using the treasury stock method. The calculation of earnings per share under United States generally accepted accounting principles is disclosed in Note 7.

6. Related Party Transactions

During the nine months ended February 1, 1992 the Company performed approximately $635,000 of subcontracted research and development under agreements between the Company and a corporation controlled by Mr. Terence H. Matthews, an executive officer, director and shareholder of the Company. It is expected that the total amount of subcontracted research and development under these agreements will not exceed $1,000,000. Under a cross-licensing agreement between the Company and the corporation controlled by Mr. Matthews, the corporation is licensed to use certain technology of the Company in developing products and the Company is entitled to market on an exclusive basis any products which result from the subcontracted research and development. The Company will pay a net royalty equal to 5% of all sales of products developed until the total royalties paid equal one and one half times the cost of the research and development, and a net royalty of 1% thereafter. If the Company chooses not to market the developed products, third parties may be licensed to market the products, for which there would be royalties based on sales payable to the Company and to the corporation controlled by Mr. Matthews.

7. Reconciliation of Financial Results to United States Accounting Principles

The unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, which conform in all material respects with those generally accepted in the United States ("U.S. GAAP"), except as disclosed in Note 19 to the consolidated financial statements of the Company as at April 30, 1991 (as restated), and the difference described below.

Under accounting principles generally accepted in Canada, the costs associated with the settlement of litigation, as described in Note 2, are recorded retroactively to the fiscal period in which the litigation arose. Under U.S. GAAP, the costs associated with the settlement of litigation are not treated as a prior period adjustment, but rather as a charge to earnings in the fiscal period in which the settlement of the litigation occurred. Because the settlement of litigation took place in December 1991, under U.S. GAAP the settlement costs would be included in the determination of earnings in the third quarter of fiscal 1992 ended February 1, 1992. If the interim consolidated statement of earnings and retained earnings (deficit) had been prepared

In accordance with U.S. GAAP, net (loss) earnings, (deficit) retained earnings and earnings per share would have been:

	For the fiscal quarter ended		For the three fiscal quarters ended	
	February 1, 1992	February 2, 1991	February 1, 1992	February 2, 1991
Net (loss) earnings	$(3,580)	$(5,696)	$ (924)	$(8,262)
Retained earnings (deficit), beginning of period	1,154	7,844	(1,502)	10,370
(Deficit) retained earnings, end of period	$(2,426)	$2,148	$(2,426)	$2,108
Earnings per share				
Net (loss) earnings	(10¢)	(17¢)	(3¢)	(24¢)
Weighted average number of shares outstanding	35,856	33,966	35,328	34,273

If the consolidated financial statements had been prepared in accordance with U.S. GAAP, the affected consolidated balance sheet items would appear as follows:

	February 1, 1992		April 30, 1991	
	As reported	As adjusted	As reported (as restated)	As adjusted
Total assets	$167,524	$165,581	$162,395	$160,452
Shareholders' equity	$ 103,174	$101,231	$ 93,497	$ 97,555

Item 2. **Management's Discussion and Analysis of Financial Condition and Results of Operations**

The Company's sales of $45,910,000 for the third quarter of fiscal 1992 ended February 1, 1992 represented an increase of 32% over sales of $34,709,000 for the third quarter of fiscal 1991. Sales of $129,319,000 for the nine months ended February 1, 1992 increased 15% over sales of $112,268,000 for the nine months ended February 2, 1991. Net earnings for the third quarter of fiscal 1992 were $2,421,000 or 7¢ per share ($5,077,000 or 15¢ per share for the nine months ended February 1, 1992) compared to a net loss of $5,686,000 or 17¢ per share for the third quarter of fiscal 1991 ($14,233,000 or 42¢ per share for the nine months ended February 2, 1991, as restated). The gross margin in the third quarter of fiscal 1992 was $26,275,000 (57% of sales) as compared to $20,691,000 (60% of sales) in the third quarter of fiscal 1991. During the first nine months of fiscal 1992 the gross margin as a percentage of sales decreased to 58% from 60% during the first nine months of fiscal 1991. Operating expenses of $20,470,000 (45% of sales) in the third quarter of fiscal 1992 represented a decrease of 13% from operating expenses of $23,602,000 (68% of sales) in the third quarter of fiscal 1991. During the first nine months of fiscal 1992, operating expenses decreased 7% to $60,738,000 (47% of sales) from $65,163,000 (58% of sales) recorded in the first nine months of last fiscal year. The increase in sales and the decrease in operating expenses resulted in an increase in net earnings despite the decrease in gross margin as a percentage of sales.

Sales increased in the third quarter and the first nine months of fiscal 1992 as the Company continued to increase product sales to common carriers and other telephone companies. The growth in sales was also attributable to increased sales of feeder multiplexer products that provide access to common carrier and corporate networks and, to a lesser extent, increased service revenues. An increase in the proportion of service revenues and feeder multiplexer product sales, which have lower gross margins than those on larger network system sales, and a shift in the sales mix from corporate network customers to common carrier and other telephone companies were the primary reasons for the decrease in gross margin as a percentage of sales. The decrease in operating expenses was due primarily to efforts by Management to reduce costs and restructure operations during the last fiscal year.

Under accounting principles generally accepted in Canada, the costs associated with the settlement of litigation (as described in Note 2 to the Consolidated Financial Statements for the Fiscal Quarter Ended February 1, 1992 included in this Quarterly Report on Form 10-Q) are recorded retroactively to the fiscal period in which the litigation arose. As a result, the costs of settlement of litigation were recorded in the first quarter of fiscal 1991 through a prior period adjustment, restating the consolidated financial statements of that year. The impact of the restatement for the fiscal year ended April 30, 1991 increased the net loss by $6,001,000 to $17,913,000, decreased retained earnings by $6,001,000 and increased long term liabilities by $6,001,000, comprised of an obligation to pay $1,715,000 in cash and to issue 600,000 Common Shares of the Company. Based on the anticipated timing of the approval of the settlement, the cash portion of $1,715,000 has been classified as a current liability for the third quarter of fiscal 1992.

RESULTS OF OPERATIONS

Sales

For the third quarter of fiscal 1992 ended February 1, 1992 the Company recorded sales of $45,910,000, an increase of 32% over sales of $34,709,000 for the third quarter of fiscal 1991. Sales of $129,319,000 for the nine months ended February 1, 1992 increased 15% over sales of $112,268,000 for the nine months ended February 2, 1991. The increase in sales reflected growth in sales of the full range of networking multiplexer products and in service revenues. During the first three quarters of fiscal 1992, product line enhancements introduced in fiscal 1991 resulted in an increase in the Company's sales to common carriers for use within their internal networks, for resale to end users and for central office applications for tariffed services. Management believes that sales to the common carrier market will continue to increase at a faster rate than sales to the corporate networking market as telephone companies increase their offerings of comprehensive networking services. Growth in revenues from the provision of services to customers during the first three quarters of fiscal 1992 as compared to the first three quarters of fiscal 1991 resulted from the continuing development of a dedicated service and technical support group, which was established as a profit center during the latter part of fiscal 1990, and from continued growth of the Company's installed base of networking products.

A significant portion of the Company's sales are derived from products shipped against orders received in the fiscal quarter and from products shipped against firm purchase orders released in that fiscal quarter. Although the Company believes it is important to equalize shipments during a quarter, historically product shipments have been concentrated close to the end of each quarter. Unforeseen delays in product delivery or closing large sales near the end of a quarter could cause quarterly revenue and, to a greater degree, net earnings, to vary greatly.

Substantial portions of the Company's sales are denominated in U.S. dollars and Pounds Sterling. Unfavorable changes in the rates of exchange of the Pound Sterling and the U.S. dollar for the Canadian dollar, relative to exchange rates in the third quarter in fiscal 1991, resulted in a $1,064,000 negative variance in reported sales for the third quarter of fiscal 1992 ($5,082,000 for the nine months ended February 1, 1992) when compared to fiscal 1992 sales translated at the rates of exchange in effect in the same periods of the previous fiscal year. As substantial portions of the Company's cost of sales and other expenses are incurred in U.S. dollars and Pounds Sterling, the variations in rates of exchange did not have a material effect on income from operations for the first nine months of fiscal 1992.

Cost of Sales and Gross Margin

Cost of sales of $19,635,000 for the third quarter of fiscal 1992 ended February 1, 1992, which increased 40% over the cost of sales of $14,018,000 for the third quarter of fiscal 1991, consists of manufacturing costs, warranty expense and costs associated with the provision of services. Cost of sales was $54,590,000 for the nine months ended February 1, 1992, an increase of 22% over the cost of sales of $44,657,000 for the first nine months of fiscal 1991. The gross margin for the third quarter of fiscal 1992 was 57% of sales, which represented a

decrease of 3% from third quarter of fiscal 1991 when the gross margin was 60% of sales. The gross margin for the nine months ended February 1, 1992 was 58% of sales, which represented a decrease of 2% from the gross margin of 60% of sales for the nine months ended February 2, 1991.

Gross margins on service revenues and feeder multiplexer product sales are typically lower than gross margins on larger network system product sales. Consequently the increase in the proportion of sales represented by feeder multiplexer product sales and service revenues relative to larger network system product sales in the first nine months of fiscal 1992 as compared to the first nine months of fiscal 1991 negatively affected the combined gross margin as a percentage of sales. In addition, during the first nine months of fiscal 1992 an increased proportion of product sales were to common carriers as compared to product sales in the first nine months of fiscal 1991. The gross margins on this type of sale are typically lower than the gross margins on direct sales of corporate networks. However, selling expenses as a percentage of common carrier sales are typically lower than selling expenses related to corporate network sales. The adverse effect of the increased proportion of feeder multiplexer product sales, service revenues and common carrier sales on gross margin was partially offset by a decrease in production overhead expenses, which occurred as a result of the restructuring of manufacturing operations which took place through the latter part of fiscal 1991.

Management believes that sales to the common carrier market will increase at a faster rate than sales to the corporate networking market as telephone companies increase their offerings of comprehensive networking services. If sales to common carriers increase as a proportion of total sales, the gross margin as a percentage of sales may be lower in future fiscal periods. In order to counter the trend in gross margins, Management has continued to focus efforts on programs to reduce manufacturing costs.

Selling, Technical Support, and General and Administrative Expenses

Selling, technical support, and general and administrative expenses for the third quarter of fiscal 1992 ended February 1, 1992 amounted to $15,139,000 or 33% of sales ($44,499,000 or 34% of sales for the nine months ended February 1, 1992) versus $18,521,000 or 53% of sales in the third quarter of fiscal 1991 ($51,850,000 or 46% of sales for the nine months ended February 2, 1991), while the amount of spending decreased 18% and 14%, respectively, over the same periods of the past fiscal year. Spending decreased primarily as a result of a reduction of the Company's cost structure, particularly in the sales and marketing organizations in North America. The decrease was also a result of an increasing number of technical support personnel addressing revenue generating network services, and consequently the associated expenses were charged to cost of sales.

Research and Development

While gross research and development spending in the third quarter of fiscal 1992 increased 1% from that expended in the third quarter of fiscal 1991, net spending increased 5% as a result of reduced recoveries of research and development expenditures compared to those recovered in the third quarter of fiscal 1991. During the third quarter of fiscal 1992 ended

February 1, 1992 the Company recorded $5,331,000 of net research and development expenses (12% of sales), as compared to expenses of $5,081,000 (15% of sales) recorded in the third quarter of fiscal 1991. Gross expenditures were $7,432,000 (16% of sales) and $7,365,000 (21% of sales) for the third quarters of fiscal 1992 and 1991 respectively. Research and development expenses for the third quarter of fiscal 1992 were reduced through recoveries of $2,101,000 from the gross expenditures (28%), as compared to recoveries of $2,284,000 (31%) for the third quarter of fiscal 1991. Recoveries in the third quarter of fiscal 1992 comprised $1,011,000 under government grants and direct customer funding ($1,456,000 for the third quarter of fiscal 1991), $714,000 for investment tax credits (nil for the third quarter of fiscal 1991) and $376,000 attributable to the capitalization of software development expenditures net of related amortization ($828,000 for the third quarter of fiscal 1991).

Gross research and development spending in the nine months ended February 1, 1992 decreased 6% from that expended in the first nine months of fiscal 1991. Net spending, however, increased 22% as a result of substantially reduced recoveries of research and development expenditures compared to those recovered in the first nine months of fiscal 1991. During the nine months ended February 1, 1992 the Company recorded $16,239,000 of net research and development expenses (13% of sales), as compared to expenses of $13,313,000 (12% of sales) recorded in the nine months ended February 2, 1991. Gross expenditures were $21,130,000 (16% of sales) and $22,425,000 (20% of sales) for the first nine months of fiscal 1992 and 1991 respectively. These expenses were reduced during the first nine months of fiscal 1992 through recoveries of $4,891,000 from the gross expenditures (23%), as compared to recoveries of $9,112,000 (41%) for the first nine months of fiscal 1991. Recoveries in the nine months ended February 1, 1992 comprised $2,611,000 under government grants and direct customer funding ($5,743,000 for the nine months ended February 2, 1991), $1,254,000 for investment tax credits ($624,000 for the nine months ended February 2, 1991) and $1,026,000 attributable to the capitalization of software development expenditures net of related amortization ($2,745,000 for the nine months ended February 2, 1991).

Research and development expenditures consist primarily of software and hardware engineering personnel expenses and, to a lesser degree, equipment and facilities. The decrease in gross research and development expenses during the first nine months of fiscal 1992 was primarily a result of a reduction of personnel and associated expenses and material and subcontracting costs. Certain commercially viable product development programs that the Company considers nonessential to its main business strategy received external funding through outside equity investment in separate affiliated companies established for that purpose, or through cross-licensing and development agreements. The decline in research and development expenditures was partially a result of the Company no longer bearing the research and development expenses incurred under these separate affiliated companies as well as funding received under cross-licensing and development agreements.

The markets for the Company's products are characterized by continuing technological change. As a result, the Company believes that continued significant expenditures for research and development will be required in the future. Research and development spending is primarily being applied to developing additional software and hardware features for existing products, new wide area networking products and features, LAN

internetworking products, and additional products that build on the basic multiplexer technology of the Company.

Substantially all of the funding under the government grants previously awarded had been received by the end of fiscal 1991 and the respective governmental authorities are entitled to various royalties on certain future sales. The Company is currently negotiating with various government agencies for additional grants and actively seeks direct research and development funding from customers.

Interest and Other Expenses

Interest expense of $1,454,000 (net of interest income of $40,000) for the third quarter of fiscal 1992 ended February 1, 1992 decreased from $2,007,000 (net of interest income of $107,000) in the third quarter of fiscal 1991. Interest expense for the nine months ended February 1, 1992 was $5,035,000 (net of interest income of $152,000), as compared to $5,797,000 (net of interest income of $452,000) in the first nine months of fiscal 1991. These reductions were a result of decreased short term borrowings during the third quarter and first nine months of fiscal 1992 as well as reduced interest rates on short term borrowings and on mortgages in the United Kingdom and Canada. Interest expense relates primarily to interest on mortgages on the Company's buildings, interest on capital leases which finance equipment used in the day to day operations of the Company, and, to a lesser extent, interest on short term bank credit facilities.

Equity in loss from affiliates consists of the Company's share of losses of non-consolidated affiliates which amounted to $368,000 for the quarter ended February 1, 1992 ($1,245,000 for the first nine months of fiscal 1992).

Other expenses during the third quarter were $413,000 ($785,000 for the nine months ended February 1, 1992), representing approximately 1% of sales.

In December 1991 the Company reached an agreement in principle to settle, as against all defendants, the consolidated class action lawsuit which was brought during the first quarter of the fiscal year ended April 30, 1991. Under accounting principles generally accepted in Canada, the costs of settlement of the litigation were recorded retroactively to the first quarter of fiscal 1991 through a prior period adjustment, restating the results for the nine months ended February 2, 1991 to reflect the settlement during the period in which the litigation arose. The settlement agreement calls for the establishment of a settlement fund from which members of the plaintiff class are to be paid. The fund will consist of $1,715,000 in cash and 600,000 freely tradeable Common Shares to be issued by the Company which have been valued at $4,286,000. Based on the anticipated timing of the approval of the settlement by the court, the cash portion of $1,715,000 has been classified as a current liability for the third quarter of fiscal 1992.

Income Taxes

As a multinational corporation, the Company's tax rate is affected by the relative profitability of operations and the national tax policies in each of the various countries in

which the Company operates. The composite corporate rate of tax for the third quarter of fiscal 1992 ended February 1, 1992 was 32% (27% for the nine months ended February 1, 1992), as compared to a net recovery of taxes in the comparable periods of fiscal 1991. During the first three quarters of fiscal 1992 the rate of tax was reduced from the statutory rate by the application of certain losses carried forward from prior fiscal periods. The recovery of income taxes during the first three quarters of fiscal 1991 consisted of the reversal of previously recorded deferred income taxes.

Net Earnings

Net earnings for the third quarter of fiscal 1992 ended February 1, 1992 were $2,421,000 or 7¢ per share ($5,077,000 or 15¢ per share for the nine months ended February 1, 1992), compared to a net loss of $5,686,000 or 17¢ per share for the third quarter of fiscal 1991 ($14,233,000 or 42¢ per share as restated for the nine months ended February 2, 1991). The impact of the restatement for the nine months ended February 2, 1991 increased the net loss by $6,001,000 to $14,233,000. The improvement in net earnings in the third quarter of fiscal 1992 as compared to the third quarter of fiscal 1991 was primarily a result of the increase in sales of $11,201,000 ($17,051,000 for the nine months). Although the gross margin as a percentage of sales declined because of a sales mix shift to feeder multiplexer products, service revenues and sales to common carriers, net earnings also improved as operating expenses were reduced.

RECONCILIATION OF FINANCIAL RESULTS TO UNITED STATES ACCOUNTING PRINCIPLES

Under accounting principles generally accepted in Canada, the costs associated with the settlement of litigation were recorded retroactively to the first quarter of fiscal 1991, the fiscal period in which the litigation arose. Under accounting principles generally accepted in the United States (U.S. GAAP), the costs associated with the settlement would be treated as a charge to earnings in the fiscal period in which the settlement occurred. Because the settlement took place in December 1991, the settlement costs would be included in the determination of earnings in the third quarter of fiscal 1992. Under U.S. GAAP a net loss of $3,580,000 or 10¢ per share would have been reported for the third quarter ended February 1, 1992 ($924,000 or 3¢ per share for the first nine months of fiscal 1992).

FINANCIAL CONDITION

As at February 1, 1992 the Company had $8,785,000 of cash. Working capital increased from $56,147,000, as restated, to $58,603,000 during the nine months ended February 1, 1992. The increase of $2,456,000 was primarily a result of net earnings of $5,077,000 and the proceeds of $2,885,000 from the exercise of employee options to purchase Common Shares of the Company, partially offset by an increase in property, plant and equipment (net of depreciation) of $582,000 and repayment of long term debt of $4,660,000.

The two principal components of the Company's working capital are inventory and accounts receivable. Both the level of inventory and the average days sales outstanding in accounts receivable have decreased in recent quarters as a result of actions taken to improve the management of working capital. Management believes that levels of inventory and accounts receivable were relatively high at the end of the third quarter of fiscal 1992, largely reflecting the fact that the Company has historically built a substantial portion of its inventory on the basis of internal forecasts and that product shipments are concentrated close to the end of each quarter. Management believes that its practices with respect to inventory and accounts receivable are consistent with practices generally prevailing in the digital networking industry.

Existing short term bank credit facilities include $20,000,000 of working capital facilities with Royal Bank of Canada bearing interest at 1/2% above the Royal Bank of Canada prime lending rate, and a £2,000,000 ($4,193,000) working capital facility with Barclays Bank plc in the United Kingdom bearing interest at 2% above the United Kingdom bank base rate. At February 1, 1992 there were no outstanding borrowings under these lines of credit. The Company's banks have provided the Company with various letters of credit in the aggregate amount of $1,011,000 which reduce the availability under the lines of credit so long as the letters of credit remain open. Use of the short term bank credit facilities will vary from time to time in accordance with changes in working capital requirements. These demand credit facilities are subject to annual review. Management believes that the lines of credit can be extended in the future on terms no less favorable to the Company.

During the first nine months of fiscal 1992 the Company had capital expenditures of $6,962,000 ($1,690,000 during the third quarter of fiscal 1992). Capital acquisitions were primarily for equipment for technical support and network services, research and development, and manufacturing. Management anticipates that additional capital expenditures during the current fiscal year will be principally for research and development equipment and other general requirements. Management believes that existing cash resources and credit facilities will prove adequate to meet its operating and capital requirements.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company has previously reported on the following legal proceeding in Item 5 of a Current Report on Form 8-K dated December 17, 1991 (the "Form 8-K Report").

On December 17, 1991 the Company reached an agreement in principle to settle, as against all defendants, the consolidated class action lawsuit which was brought during the first quarter of the Company's fiscal year ended April 30, 1991 in the United States District Court in Washington, D.C. The suit, which names the Company and certain of its executive officers as defendants, purports to be a class action on behalf of a class of persons who purchased Common Shares of the Company during certain periods in 1989 and 1990 and alleges that the Company made false and misleading statements in violation of United States securities law, for which damages were sought in unspecified amounts.

The settlement agreement, which is subject to the approval of the Court and other regulatory authorities, calls for the establishment of a settlement fund from which members of the plaintiff class are to be paid. The fund will consist of US$1,500,000 (Cdn$1,715,000) in cash and 600,000 freely tradeable Common Shares to be issued by the Company following final approval of the settlement by the Court. If the value of the Common Shares, determined by a formula based on trading on the NASDAQ National Market System, is less than US$6.25 per share at the time the settlement is finally approved, the number of Common Shares issued will be increased so that the total value of the shares issued is US$3,750,000 (Cdn$4,286,000). Final approval of the settlement is not expected to be obtained for several months, during which time the cash portion of the settlement will earn interest at the daily interest rate paid by the Company's principal bankers on United States dollar deposits. The accrued interest will be paid to the plaintiffs as part of the settlement.

The Company believes that the settlement will not have any material adverse effect on its operations, as it has sufficient funds available to pay the cash amount of the settlement. The 600,000 Common Shares to be issued in the settlement will represent approximately 1.7% of the total number of Common Shares outstanding at the time they are issued.

The settlement has been recorded by the Company as a prior period adjustment in the amount of Cdn$6,001,000 to its last fiscal year ended April 30, 1991 as reflected in the consolidated financial statements, as restated, in Item 7 of the Form 8-K Report. The settlement had no effect on earnings for the third quarter of fiscal 1992 ended February 1, 1992 or for the nine months ended February 1, 1992. This treatment complies with accounting principles generally accepted in Canada. Under accounting principles generally accepted in the United States, the settlement would have been recorded as a charge to earnings in the third quarter of fiscal 1992 ended February 1, 1992 as reflected in Note 7 to the consolidated financial statements included in this Quarterly Report on Form 10-Q.

The Company and the individual defendants have expressly denied any liability under the securities laws alleged to have been violated. However, the Company believes that settlement of the suit on these terms is advantageous in view of the risks, the substantial defense costs and the distraction of management focus inherent in continuing the litigation.

Item 5. Other Information

On March 3, 1992, Dr. Henry Simon resigned as a Director of the Company.

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

Exhibit 11.1 Computation of earnings per share under accounting principles generally accepted in Canada.

Exhibit 11.2 Computation of earnings per share under accounting principles generally accepted in the United States.

b) Reports on Form 8-K

During the fiscal quarter ended February 1, 1992, the Company filed a Current Report on Form 8-K dated December 17, 1991 (the "Form 8-K Report"). The Form 8-K Report disclosed an agreement in principle to settle litigation as reported in Part II, Item 1 of this Quarterly Report on Form 10-Q. Under accounting principles generally accepted in Canada, the costs associated with the settlement of litigation are reported as a prior period adjustment to the period in which the litigation arose. As a result, the Company retroactively recorded the costs of settlement in the first quarter of fiscal 1991 ended August 4, 1990. To reflect the prior period adjustment, the following restatements of the consolidated financial statements included in the Company's previously filed Annual Report on Form 10-K for the fiscal year ended April 30, 1991 and Quarterly Reports on Form 10-Q for the fiscal quarters ended August 4, 1990, November 3, 1990, February 2, 1991, August 3, 1991, and November 2, 1991 were filed as part of the Form 8-K Report.

Exchange Rates

Consolidated Financial Statements (as restated) for Fiscal Year 1991

First Quarter Ended August 4, 1990

Consolidated Statements of Earnings and Retained Earnings (as restated) - Fiscal quarters ended August 4, 1990 and August 5, 1989

Consolidated Balance Sheets (as restated) - August 4, 1990 and April 30, 1990

Consolidated Statements of Cash Flows (as restated) - Fiscal quarters ended August 4, 1990 and August 5, 1989

Second Quarter Ended November 3, 1990

Consolidated Statements of Earnings and Retained Earnings (as restated) - Fiscal quarters and two fiscal quarters ended November 3, 1990 and November 4, 1989

Consolidated Balance Sheets (as restated) -
November 3, 1990 and April 30, 1990

Consolidated Statements of Cash Flows (as restated) -
Fiscal quarters and two fiscal quarters ended
November 3, 1990 and November 4, 1989

Third Quarter Ended February 2, 1991

Consolidated Statements of Earnings and Retained Earnings
(Deficit) (as restated) - Fiscal quarters and three fiscal
quarters ended February 2, 1991 and February 3, 1990

Consolidated Balance Sheets (as restated) -
February 2, 1991 and April 30, 1990

Consolidated Statements of Cash Flows (as restated) -
Fiscal quarters and three fiscal quarters ended
February 2, 1991 and February 3, 1990

Fiscal Year Ended April 30, 1991

Auditors' Report

Consolidated Statements of Earnings and Retained Earnings
(Deficit) (as restated) - Fiscal years ended April 30, 1991,
April 30, 1990 and April 30, 1989

Consolidated Balance Sheets (as restated) -
April 30, 1991 and April 30, 1990

Consolidated Statements of Cash Flows (as restated) -
Fiscal years ended April 30, 1991, April 30, 1990
and April 30, 1989

Notes to the Consolidated Financial Statements (as restated)

Computation of Earnings Per Share (as restated) Under
Accounting Principles Generally Accepted in Canada

Selected Quarterly Financial Data (as restated) for Fiscal 1991

Selected Financial Data (as restated)

**Consolidated Financial Statements (as restated) for the
First Two Quarters of Fiscal Year 1992**

First Quarter Ended August 3, 1991

Consolidated Statements of Earnings and Retained Earnings
(Deficit) (as restated) - Fiscal quarters ended August 3,
1991 and August 4, 1990

Consolidated Balance Sheets (as restated) -
August 3, 1991 and April 30, 1991

Consolidated Statements of Cash Flows (as restated) -
Fiscal quarters ended August 3, 1991 and
August 4, 1990

Second Quarter Ended November 2, 1991

Consolidated Statements of Earnings and Retained Earnings
(Deficit) (as restated) - Fiscal quarters and two fiscal
quarters ended November 2, 1991 and November 3, 1990

Consolidated Balance Sheets (as restated) -
November 2, 1991 and April 30, 1991

Consolidated Statements of Cash Flows (as restated) -
Fiscal quarters and two fiscal quarters ended
November 2, 1991 and November 3, 1990

Notes to the Consolidated Financial Statements (as restated)

Computation of Earnings Per Share (as restated) Under
Accounting Principles Generally Accepted in Canada

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NEWBRIDGE NETWORKS CORPORATION
(Registrant)

Date: March 12, 1992

By: _____
Terence H. Matthews,
Chairman of the Board of
Directors and President

Date: March 12, 1992

By: _____
Peter D. Charbonneau,
Vice President, Finance,
Chief Financial Officer
and Treasurer

EXHIBIT INDEX

		Page No.
11.1	Computation of earnings per share under accounting principles generally accepted in Canada	23
11.2	Computation of earnings per share under accounting principles generally accepted in the United States	24

EXHIBIT 11.1

NEWBRIDGE NETWORKS CORPORATION

COMPUTATION OF EARNINGS PER SHARE

(Accounting principles generally accepted in Canada)
(Canadian dollars in thousands, except share and per share data)
(Unaudited)

	Fiscal quarter ended		Three fiscal quarters ended	
	Feb 1, 1992	Feb 2, 1991	Feb 1, 1992	Feb 2, 1991
Basic earnings per share				
Net earnings	$2,421	$(5,606)	$5,077	$(14,233)
Common Shares outstanding at the beginning of the period	34,358	33,776	34,145	33,520
Weighted average number of Common Shares issued during the period	115	16	202	200
Weighted average number of Common Shares outstanding at the end of the period	34,473	33,792	34,347	33,720
Basic earnings per share	7¢	(17¢)	15¢	(42¢)
Fully diluted earnings per share				
Earnings before imputed earnings	$2,421	$(5,686)	$5,077	$(14,233)
After tax imputed earnings from the investment of funds received through dilution	-	-	-	-
Adjusted net earnings	$2,421	$(5,686)	$5,077	$(14,233)
Weighted average number of Common Shares outstanding at the end of the period	34,473	33,792	34,347	33,720
Weighted average Common Share equivalents based on conversion of outstanding stock options	-	-	-	-
Weighted average number of Common Shares and equivalents outstanding at the end of the period	34,473	33,792	34,347	33,720
Fully diluted earnings per share	7¢	(17¢)	15¢	(42¢)

NEWBRIDGE NETWORKS CORPORATION

COMPUTATION OF EARNINGS PER SHARE

(Accounting principles generally accepted in the United States)
(Canadian dollars in thousands, except share and per share data)
(Unaudited)

	Fiscal quarter ended		Three fiscal quarters ended	
Earnings per share (U.S. GAAP)	Feb 1, 1992	Feb 2, 1991	Feb 1, 1992	Feb 2, 1991
Net earnings	$(3,580)	$(5,696)	$(924)	$(8,262)
Common Shares outstanding at the end of the period	34,838	33,837	34,838	33,837
Net effect of dilutive stock options, based on the treasury stock method	1,018	129	490	436
Weighted average number of Common Shares outstanding at the end of the period as adjusted	35,856	33,966	35,328	34,273
Earnings per share (U.S. GAAP)	(10¢)	(17¢)	(3¢)	(24¢)